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FISCAL IMPACT STATEMENT

LS 6824

BILL NUMBER: SB 370

NOTE PREPARED: Dec 29, 2009

BILL AMENDED:

SUBJECT: Local government matters.

FIRST AUTHOR: Sen. Young R

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: **GENERAL**
 DEDICATED
 FEDERAL

IMPACT: Local

Summary of Legislation: *Maximum Levies:* This bill eliminates the limitation on the amount of a civil taxing unit's maximum permissible property tax levy for the current year that results from imposition in the immediately preceding year of an actual levy that is lower than the maximum. It also strikes a definition to a term ("unadjusted assessed value") that is not used in the law.

Public Safety Employees: The bill provides that a public safety employee of a political subdivision who is a member of the political subdivision's legislative body may not: (1) accept an appointment to a confidential or policy making position of the political subdivision; (2) serve in a confidential or policy making position of the political subdivision; (3) serve as a member of a committee of the legislative body that has jurisdiction over the member's employer; or (4) vote on any matter relating to the budget of the member's employer. It provides that a public safety employee who is a member of a political subdivision's legislative body may vote on adoption of the political subdivision's budget that includes the budget of the member's employer if the member makes certain disclosures.

Township Employees: This bill prohibits a relative of a township officer or employee from being employed by the township. The bill specifies that a person who on July 1, 2010, is a relative of a township officer or employee and is employed by the township is not prohibited by this provision from being an employee of the township until the expiration of the term of the township trustee holding office on July 1, 2010.

Effective Date: Upon passage; July 1, 2010.

Explanation of State Expenditures:

Explanation of State Revenues:

Explanation of Local Expenditures: *Public Safety Employees:* This provision has no fiscal impact.

Township Employees: This provision has no fiscal impact.

Explanation of Local Revenues: *Maximum Levies:* Prior to 2004, civil taxing unit maximum permissible levies were calculated each year by multiplying the previous year's maximum levy by the six-year average increase in Indiana nonfarm personal income (limited to 6% with some exceptions). A taxing unit that did not use all of its maximum levy in a year never lost the unused amount from its base.

Under SEA 1 - 2004, the calculation for the maximum levies was changed so that the new maximum levy was equal to the previous year's actual levy rather than the maximum levy. This change removed the previously unused portion of maximum levies from the base and eliminated any "banking" of unused levy authority in the future.

Under SEA 260 - 2006, the old maximum levy calculation and the "banking" of unused levy authority were partially restored beginning with taxes payable in 2007. One-half of the previous year's unused levy authority is available for use in the current year. Maximum levy authority that was lost in a year prior to 2007 was not be restored.

Beginning with taxes payable in 2011 under this bill, the maximum levy calculation would revert to the pre-2004 calculation. This means that any unused levy authority in a year would be available in all future years.

For taxing units that need to levy their entire maximum levy amount each year, this provision would have no effect. For other taxing units, this provision could have one of two effects, depending on the taxing unit. First, some units may currently levy their maximum amount each year even if it is not needed so that the unit does not lose one half of the unused amount. For these units, this provision could result in lower levies in years when the unit does not need the entire levy. Second, some units levy only what they need to levy, regardless of the fact that one half of the unused levy authority is lost each year. For these units, this provision could result in higher levies in years when the unit decides to take advantage of their unused authority.

In all cases, if a unit elects to use previously unused levy authority in a specific year, then taxpayers would be faced with a larger than normal increase in the tax rate in that year. However, if the unit has unused levy authority, the unit's tax rate growth might have been nominal up until the year that the unit uses the banked levy amount under this provision.

State Agencies Affected Department of Local Government Finance.

Local Agencies Affected: All civil taxing units.

Information Sources:

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